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# BANKENO MINES LIMITED



**annual report**  
**1977**

# BANKENO MINES LIMITED

**DIRECTORS** R. G. BRAWN

E. CONNELLY

R. M. GRAY

J. W. KILLICK

J. C. McBEAN

V. K. TRAVIS

**OFFICERS** V. K. TRAVIS, *Chairman of the Board*

R. G. BRAWN, *President*

R. M. GRAY, *Vice-President*

E. E. GORING, *Secretary*

W. J. MUNS, *Treasurer*

**TRANSFER AGENTS** CROWN TRUST COMPANY, Toronto, Ontario

**STOCK EXCHANGES** TORONTO STOCK EXCHANGE

MONTREAL STOCK EXCHANGE

**AUDITORS** CLARKSON, GORDON & Co., Calgary, Alberta

**HEAD OFFICE** Suite 908, 40 University Avenue  
Toronto, Canada  
M5J 1T1



# BANKENO MINES LIMITED

## *President's Report*

### TO THE SHAREHOLDERS:

Accompanying the 1977 Annual Report and Financial Statements are Proxy, Notice and Information Circular in connection with the Annual Meeting of the Company to be held in Toronto on March 31, 1978.

Bankeno continues to hold its 25% interest in Arvik Mines Limited, a 1.86% interest in Panarctic Oils Ltd., and varying interests in approximately 2,854,963 gross acres in Arctic Island oil and gas permits.

The Company's 1.86% interest in Panarctic is down from the previous 1.89% interest, due to the issuance of 813,931 shares of Panarctic to Home Oil Company for \$10,000,000. Under a \$30,000,000 financing agreement, Home Oil will similarly increase its interest by purchasing Panarctic shares in 1978 and 1979.

Panarctic completed seven exploratory wells during 1977, including three wells on Cameron Island and one each on Vanier, Depot, Drake and Hecla Islands. All wells were deemed non-commercial and therefore no extension to reserves resulted from the program.

A \$20,000,000 program is planned for 1978 in a continuing effort to bring Arctic natural gas reserves to commercial levels. Ten exploratory wells are planned, including two offshore Melville Island wells, and the remainder for Bathurst, Cameron, and Ellef Ringnes Islands. Bankeno will have a 3 percent carried working interest in a well to be drilled on Bathurst Island this winter tentatively called Stokes Range J12 11,000-foot test. A ninth financing amounting to \$8,000,000 is being considered for the second quarter of 1978 to permit completion of the 1978 program.

Although the development of Arvik's Polaris mine on Little Cornwallis Island, Northwest Territories, remains essentially unchanged from 1976, it is hoped that recently initiated discussions between Cominco Ltd., the operator of Arvik, and the Federal Government may lead to a positive solution for the development of this significant but technically and economically complex zinc-lead resource.

On Behalf of the Directors,

ROBERT G. BRAWN,  
President and  
Chief Executive Officer

## BANKENO M

(Incorporated under

Balance

September

(with comparative figures)

## ASSETS

	1977	1976
CURRENT:		
Cash .....	\$ 3,987	\$ 1,889
Accounts receivable .....		134,480
	<u>3,987</u>	<u>136,369</u>
INVESTMENTS:		
Panarctic Oils Ltd. (Note 2) .....	2,776,456	2,776,456
Arvik Mines Ltd. (Note 3) .....	25,487	25,487
Other (quoted market value 1977 — \$6,800; 1976 — \$4,040) .....	8,489	8,489
	<u>2,810,432</u>	<u>2,810,432</u>
OIL AND GAS PERMITS, at cost .....	36,753	36,753
MINING LEASES, at nominal value .....	<u>1</u>	<u>1</u>
DEFERRED EXPENDITURES, at cost (Note 3):		
Exploration and development .....	254,769	254,769
Administration expenditures .....	1,342,391	1,114,016
	<u>1,597,160</u>	<u>1,368,785</u>
	<u>\$4,448,333</u>	<u>\$4,352,340</u>

On behalf of the Board:

R. G. BRAUN, Director.

V. K. TRAVIS, Director.

(See accom

AUDITORS

To the Shareholders of  
Bankeno Mines Limited:

We have examined the balance sheet of Bankeno Mines Limited as at September 30, 1977 and the statements of deferred administration expenditures and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.



# **FINANCIAL STATEMENTS** (in accordance with the laws of Ontario)

**Income Statement**  
**For the year ended September 30, 1977**

(in accordance with the laws of Ontario)

## **LIABILITIES**

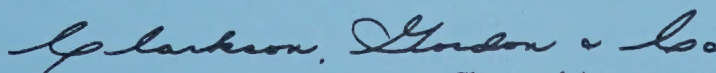
	1977	1976
<b>CURRENT:</b>		
Bank loan (Note 4) .....	\$ 1,010,000	\$ 750,000
Accounts payable and accrued charges .....	8,450	10,228
Due to associated companies .....	406,008	314,880
Payable to Panarctic Oils Ltd. ....		253,357
	<u>1,424,458</u>	<u>1,328,465</u>
<b>SHAREHOLDERS' EQUITY:</b>		
Capital —		
Authorized:		
6,000,000 shares of \$1 par value each		
Issued and fully paid:		
4,097,004 shares .....	4,097,004	4,097,004
Deduct discount less premiums .....	34,811	34,811
	<u>4,062,193</u>	<u>4,062,193</u>
Deficit (unchanged during year) .....	1,038,318	1,038,318
	<u>3,023,875</u>	<u>3,023,875</u>
	<u>\$4,448,333</u>	<u>\$4,352,340</u>

(see accompanying notes)

## **REPORT**

In our opinion, these financial statements present fairly the financial position of the company as at September 30, 1977 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Calgary, Canada,  
 December 12, 1977.

  
 Chartered Accountants

# BANKENO MINES LIMITED

## *Statement of Deferred Administration Expenditures*

YEAR ENDED SEPTEMBER 30, 1977

(with comparative figures for the year ended September 30, 1976)

	<u>1977</u>	<u>1976</u>
Administrative fees .....	\$ 40,000	\$ 96,000
Interest and bank charges .....	143,628	121,045
Legal and audit .....	19,535	15,546
Shareholders' reports .....	3,393	3,185
Transfer agent and listing fees .....	10,686	6,890
Travel .....	551	1,092
General .....	<u>10,582</u>	<u>13,632</u>
EXPENDITURES FOR YEAR .....	228,375	257,390
Less interest earned .....	<u>          </u>	<u>(14,400)</u>
NET EXPENDITURES FOR YEAR .....	228,375	242,990
Deduct costs related to gas property sold (Note 6) .....	<u>          </u>	<u>54,033</u>
INCREASE FOR YEAR .....	228,375	188,957
BALANCE, beginning of year .....	<u>1,114,016</u>	<u>925,059</u>
BALANCE, end of year .....	<u><u>\$ 1,342,391</u></u>	<u><u>\$ 1,114,016</u></u>

(See accompanying notes)



# BANKENO MINES LIMITED

## *Statement of Changes in Financial Position*

YEAR ENDED SEPTEMBER 30, 1977

(with comparative figures for the year ended September 30, 1976)

	<u>1977</u>	<u>1976</u>
SOURCE OF FUNDS:		
Proceeds from sale of gas property (Note 6) .....		\$ 400,000
APPLICATION OF FUNDS:		
Deferred exploration and development expenditures .....		4,265
Deferred administration expenditures .....	\$ 228,375	242,990
	<u>228,375</u>	<u>247,255</u>
INCREASE (DECREASE) IN WORKING CAPITAL DEFICIENCY .....	228,375	(152,745)
WORKING CAPITAL DEFICIENCY, beginning of year .....	<u>1,192,096</u>	<u>1,344,841</u>
WORKING CAPITAL DEFICIENCY, end of year .....	<u>\$1,420,471</u>	<u>\$1,192,096</u>

(See accompanying notes)

# BANKENO MINES LIMITED

## *Notes to Financial Statements*

SEPTEMBER 30, 1977

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### *Investments —*

Investments are carried in the company's accounts at cost.

#### *Deferred expenditures —*

Exploration and development and administration expenditures are deferred until such time as the company's properties are brought into production, abandoned or sold.

### 2. INVESTMENT IN PANARCTIC OILS LTD.

	1977	1976
829,111 common shares .....	\$2,737,623	\$2,737,623
23 common shares of Panarctic Oils Operators Ltd. ....	3	3
	<u>2,737,626</u>	<u>2,737,626</u>
Bankeno Mines Limited share of Panarctic Oils Ltd. capital expenditure program .....	6,330	6,330
Value assigned to capital stock of Bankeno Mines Limited issued to Upper Canada Resources Limited as consideration for guarantee of payments on initial investment in Panarctic Oils Ltd. ....	32,500	32,500
	<u>\$2,776,456</u>	<u>\$2,776,456</u>

Panarctic Oils Ltd. was formed to explore the oil and gas potential in the Arctic Islands. It is financed jointly by private enterprise and the Government of Canada.

### 3. INVESTMENT IN ARVIK MINES LTD.

#### *Little Cornwallis Island Properties*

By agreement dated October 1, 1971, Bankeno obtained 25% of the share capital (750,000 common shares) of Arvik Mines Ltd. which was incorporated by the company and Cominco Limited to acquire claims and leases on Little Cornwallis Island and two groups of claims on Cornwallis Island which Cominco had been exploring under the terms of a 1965 agreement between the companies.

Cominco has undertaken to incur all expenditures it deems necessary on these claims and Bankeno is not required or entitled to contribute thereto. Under the terms of the agreement Cominco is to assume responsibility for arranging the required financing and may receive 6% cumulative redeemable preferred shares for its expenditures. Cominco's expenditures on the Arvik Mines Ltd. properties to December 31, 1976 amounted to approximately \$7,835,000. Bankeno may similarly receive 6% cumulative redeemable preferred shares for its expenditures, aggregating \$75,000 incurred prior to June 4, 1964.

Distribution of any profits to the Arvik shareholders after repayment of production financing shall be as follows:

- 80% towards payment of dividends (including arrears) on the preferred shares and the balance in pro rata redemption, at par, of the preferred shares; and
- 20% towards payment of dividends on common shares.

Under the terms of the agreement of October 1, 1971, Cominco has a 75% interest in other Cornwallis Island properties and Bankeno has a 25% interest. As of December 31, 1976 Cominco had incurred expenditures of \$133,700 on these properties and is liable to spend a further \$67,000 up to \$200,000. If Bankeno is to retain its present percentage interest of 25% it must contribute its proportionate share of expenditures on the next \$200,000 spent on these properties or its interest is diminished accordingly.



When \$400,000 is spent on these properties a new company shall be formed to acquire these Cornwallis Island properties for 750,000 common shares to be allocated pro rata. Additional shares may be issued for expenditures in excess of \$400,000 in the ratio of one share for each \$1 of expenditure with Bankeno retaining the right to participate in proportion to its interest.

4. BANK LOAN

The company's bank loan totals \$1,010,000, bears interest at 1% above the bank's prime rate, and is secured by 600,976 shares of Panarctic Oils Ltd. owned by the company.

5. INCOME TAXES

Under the provision of the Income Tax Act, exploration and development expenditures are deductible in arriving at taxable income; any expenditures not deducted in one year may be carried forward to be applied against future income. The company has approximately \$4,366,000 of expenditures so available, most of which is reflected on the accompanying balance sheet as investments and deferred expenditures. In addition the company has losses for tax purposes of \$77,299 carried forward and applied to reduce future taxable income.

The availability of these losses expires as follows:

1978	—	\$24,261
1979	—	47,905
1980	—	<u>5,133</u>
		<u>\$77,299</u>

6. ANTI-INFLATION PROGRAM

Under the federal government's anti-inflation program, the company is subject to mandatory compliance with legislation which controls shareholder dividends. The controls, as they apply to the company, expire on October 13, 1978.

7. STATUTORY INFORMATION

The aggregate remuneration of directors and senior officers (as defined under the Business Corporations Act, Ontario) was nil in 1977 (1976 — nil).







